

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0385-04
Bill No.: Perfected HCS for HB 152 and 180
Subject: Kansas City Law Enforcement Officers and Agencies; Retirement - Local
Government Retirement Systems and Benefits - General; St. Louis
Type: Original
Date: March 3, 2003

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on Other State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2004	FY 2005	FY 2006
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

The **Joint Committee on Public Employee Retirement** indicates that this legislation does not represent a “substantial proposed change” in future plan benefits as defined in Section 105.660(5), and, as such, an actuarial cost statement is not required.

Officials with the **Department of Insurance (INS)** assume the proposal has no fiscal impact on their agency.

Officials with the **Kansas City Police Retirement System (KCPRS)** assume the proposal will have no fiscal impact on their agency.

<u>FISCAL IMPACT - State Government</u>	FY 2004 (10 Mo.)	FY 2005	FY 2006
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Local Government

FY 2004
(10 Mo.)

FY 2005

FY 2006

\$0

\$0

\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

Regarding the Kansas City Police Retirement System, this substitute:

- (1) Requires benefits and conditions to always be adjusted to qualify for tax-exempt status;
- (2) Requires a member's benefits to be 100% vested and nonforfeitable upon the member's attainment of the normal retirement age;
- (3) Requires the distribution of retirement benefits to begin no later than April 1 of the year following the calendar year during which the member becomes 70 1/2 years of age;
- (4) Prohibits benefits in excess of the limits set by Section 415 of the Internal Revenue Code;
- (5) Limits the total salary taken into account for any purpose for any member to no more than \$200,000 per year, subject to adjustments permitted by the Internal Revenue Code;
- (6) Gives the Retirement Board authority to change actuarial assumptions at any time annually, but a change in actuarial assumptions may not result in any decrease in benefits accrued as of the effective date of the change;
- (7) Allows a member or beneficiary to transfer an eligible rollover distribution to another eligible retirement plan;
- (8) Gives the board authority to provide fiduciary liability insurance; and
- (9) Makes other changes to conform with the Internal Revenue Code.

The substitute also changes the requirements for the five elected members of the Kansas City Police Retirement Board. If Kansas City has established a Civilian Employees' Retirement System of the police department, the substitute requires the elected members to consist of three restricted members and two open members. The three restricted members will consist of a retired member, an active member below the rank of sergeant, and a civilian member. If Kansas City has not established a Civilian Employees' Retirement System of the police department, three members will be open members. (Kansas City has established a Civilian Employees' Retirement System.) Open members will have no qualification requirements. Current law has no requirement that the board have an open member. The substitute outlines a staggered election process.

DESCRIPTION (continued)

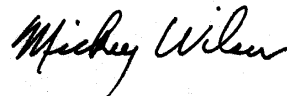
The substitute further allows members of the Police Retirement System and the Civilian Employees' Retirement System to receive a partial lump-sum option payment. Police officers who have a minimum of 26 years of service are eligible to receive up to three years of benefit payments in a lump-sum, depending on their years of creditable service. The member would then receive a reduced pension on a normal monthly basis. Civilian employees working one year beyond their earliest eligible retirement date would also be eligible for the partial lump-sum option. The election to receive a lump-sum distribution and reduced monthly base pension is void if the member dies before retirement and amounts due a beneficiary will be determined without regard to the election.

Finally, the substitute makes the retirement board a state agency for the purpose of the administrative procedure and review process.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Joint committee on Public Employee Retirement
Department of Insurance
Kansas City Police Retirement System



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